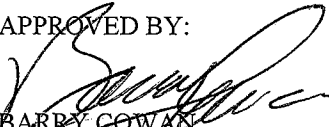


☒ R/W MANUAL CHANGE
(1993 Edition)

RWMC- 166

☐ PROCEDURAL HANDBOOK
(1984 Edition)

RWPH-____-____-____
TRANSMITTAL#_____

TITLE: PROPERTY MANAGEMENT	APPROVED BY:  BARRY COWAN	DATE ISSUED: FEB - 9 2007
SUBJECT AREA: CHAPTER 11 – PROPERTY MANAGEMENT	ISSUING UNIT: OFFICE OF REAL PROPERTY SERVICES	
SUMMARY OF CHANGES: Revises Section 11.07.20.00, Rental Refunds; revises and changes Exhibit 11-EX-5 to show Rent Proration Examples; and updates Tables of Contents for sections and exhibits.		

PURPOSE

This manual change clarifies proration of rent and rental refunds. “Monthly Percentage Table for Rent Proration” is eliminated. Instead, a daily rate is determined by dividing the monthly rent by thirty (30) days, regardless of the number of days in the month. Also, where applicable, general typographical errors are corrected.

BACKGROUND

There has been confusion on prorating rent and calculating rent refunds for the month of February. This manual change clarifies how to prorate rent and determine the amount of refund when a tenancy does not start on the first of the month nor end on the last day of the month.

PROCEDURES

- | | |
|-------------|---|
| 11.07.20.00 | Clarifies how and when to prorate rent and how rent refunds are to be calculated. |
| 11-EX-5 | “Monthly Percentage Table for Rent Proration” is eliminated. Step-by-step instruction on how to prorate rent and determine the amount of rent refund is provided, along with specific examples of tenancies that start or end in the middle of the month. |

EFFECTIVE DATE

Immediately.

MANUAL IMPACT

- Remove the superseded pages and insert the attached pages in the Manual.
- Record the action on the Revision Record.

REVISION SUMMARY

<u>Chapter</u>	<u>Remove Old Page(s)</u>	<u>Insert New/Revised Page(s)</u>
	Remove the following in its entirety:	Replace with the following in its entirety:
11 – Sections	Table of Contents (REV 7/2005) 11.07.00.00 (REV 7/2005)	Table of Contents (REV 1/2007) 11.07.00.00 (REV 1/2007)
11 – Exhibits	Table of Contents REV 7/2005 11-EX-5 (Rev. 6/99)	Table of Contents REV 1/2007 11-EX-5 (REV 1/2007)

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11.07.00.00 - RENTAL PROCEDURES

11.07.01.00 General

The following sections specify procedures for renting vacated property that are in addition to those set forth in Subchapter 11.02.00.00, Closure Procedure.

11.07.02.00 Marketing Plan

Each district should maintain a Marketing Plan that should be updated annually in July. The Plan should list by project the number and types of properties estimated to become available for rent/lease in the coming fiscal year. The Plan should also indicate the manner in which the properties will be marketed along with estimated costs.

11.07.03.00 Finder's Fees/Rental Incentives

Finder's fees and rental incentives may be used when necessary to reduce the vacancy rate. A finder's fee is a rent credit given to an existing tenant as compensation for referring a prospective tenant to the state. A rental incentive is a rent credit given to a new tenant as an enticement to rent our property. A rental incentive should be used only as a last resort and may be spread over several months when used in a month-to-month rental agreement.

The RWPS Adjustment Request Screen is used to notify Accounting of any rent credit.

11.07.04.00 Advertising

Whenever the district uses newspaper advertisements, it shall comply with Public Contract Code Section 10115.13 relating to the use of certain advertising business enterprises. The Property Manager shall contact the Department's Business Enterprise Program prior to advertising and request a list of any certified media firms for the area. The findings and subsequent actions shall be documented.

- **Improved Properties** - The Agent should use newspaper advertisements for residences and other improved properties when necessary to attract tenants. Posting of improved properties with advertising signs may be desirable in some cases and is at the district's discretion. Posting is not desirable where, for example, it would invite vandalism.
- **Vacant Land** - Rentable vacant land shall be posted with advertising signs indicating the property is for rent. Exceptions are allowed only when posting would be unreasonable, uneconomical, invite dumping or vandalism, or conflict with local sign ordinances. In some cases, newspaper advertisements may be desirable for vacant land of high value.

11.07.05.00 Showing Property

Under no circumstances are prospective tenants to be given keys that enable them to inspect state property on their own. If several parcels are available and a prospective tenant is interested in seeing a number of them, the Agent should ask the person to view the properties and improvements from the exterior. Thereafter, the prospective tenant may set up an appointment with the Agent to inspect those of primary interest.

11.07.06.00 **Rental Application and Credit Report**

Before making a commitment to rent, the Agent shall have the prospective tenant complete Form RW 11-5, Residential Rental Application, or RW 11-6, Nonresidential Rental Application, and verify the information.

- **Credit Reporting Agency Used** - A satisfactory credit report must be received. The applicant(s) shall pay the actual costs of the credit report(s).
- **Credit Reporting Agency Not Used** - The Property Manager or authorized representative must make a diligent effort to verify the information on the Rental Application before committing to rent to the applicant.

11.07.07.00 **Guidelines for Selection of New Tenants**

Property Management is responsible for renting to qualified applicants only. The Agent shall review all applications and select the most qualified applicant based on available data. The decision shall be based on ability to pay rent and ability and willingness to maintain the property and improvements.

As a guideline in determining the applicant's ability to pay rent, the applicant's gross household income should equal or exceed four times the rental rate. The district may make exceptions to this guideline at its discretion, but it must document all exceptions and retain the documentation in the rental file. Examples of exceptions include good employment history, prior record of consistently paying rents, good credit report, etc. All these factors will determine an applicant's eligibility to rent from the Department.

One test of ability to pay rent is that the applicant's gross household income should equal or exceed four times the rental rate. The district may make exceptions to this procedure at its discretion, but it must document all exceptions and retain the documentation in the rental file. Examples of exceptions include good employment history and prior record of consistently paying rents.

Federal and state laws prohibit discrimination in housing accommodations against tenants because of race, gender, creed, color, religion, national or ethnic origin, age, marital status, or disability.

11.07.08.00 **Use of Cosigners**

Cosigners should not be used to qualify an applicant with insufficient income or credit.

11.07.09.00 **Declined Applicants**

If an applicant is denied housing, the applicant will receive the denial in writing and the reasons for denial stated.

If Property Management's decision to deny tenancy to an applicant is based wholly or in part on information contained in a credit report, California Civil Code Section 1785.20 requires the following:

- Provide written notice of the denial to the applicant.
- Provide the applicant with the name, address, and telephone number of the consumer credit reporting agency which furnished the report to the person.
- Provide a statement that the denial was based in whole or in part upon information contained in a consumer credit report.

- Provide the applicant with a written notice of the following rights of the consumer:
 - (A) The right of the applicant to obtain within 60 days a free copy of the applicant's consumer credit report from the consumer credit reporting agency identified pursuant to the second bullet above and from any other consumer credit reporting agency which complies and maintains files on consumers on a nationwide basis.
 - (B) The right of the applicant under California Civil Code Section 1785.16 to dispute the accuracy or completeness of any information in a consumer credit report furnished by the consumer credit reporting agency.

(See Exhibit 11-EX-4, Written Notice of Denial.)

11.07.10.00 Executing the Rental Agreement

All occupants 18 years of age or older must sign the rental agreement. (An exception could be students still living at home or living at home during the summer.) Under no circumstances are new tenants to take occupancy prior to signing the rental agreement and paying all monies due, such as security deposits and prorated rents.

The DDC-R/W or authorized representative may execute all residential and nonresidential rental agreements on the state's behalf.

11.07.11.00 Title VI Guidelines

The Agent will inform the state's tenants about the Department's policy and procedures under Title VI of the 1964 Civil Rights Act and will deliver a "Your Rights under Title VI & Related Laws" brochure at the time the rental agreement is signed.

11.07.12.00 Lead-Based Paint and/or Hazards

Congress passed the Residential Lead-Based Paint Hazard Reduction Act of 1992, also known as "Title X." Section 1018 of Title X directed HUD and EPA to require disclosure of information on lead-based paint and lead-based hazards before the sale or lease of most housing built before 1978.

Title X requires the following from landlords:

- Disclose all known lead-based paint and lead-based paint hazards to tenant(s).
- Provide tenant(s) with any records and reports pertaining to lead-based paint and/or lead-based hazards.
- Present EPA pamphlet, "Protect Your Family From Lead in Your Home," to tenant(s).
- Include certain warning language in the rental agreement or lease.
- Have a complete and fully executed Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards form, Exhibit 11-EX-48, on file.
- Retain signed acknowledgments for three years, as proof of compliance. (Department policy dictates that we will keep signed acknowledgments in the rental file for as long as we keep the file.)

11.07.13.00 **Initial Rent Collection**

When a new tenancy is created, one month's rent or the prorated amount due for the balance of the month shall be collected prior to the tenant's occupancy. Prorated amounts are based on a 30-day month. (See Exhibit 11-EX-5, Rent Proration Examples.)

11.07.14.00 **Security Deposits**

A security deposit shall be collected from new tenants, except for state's grantor, before tenancy commences. The security deposit is not a means of establishing a tenant's qualifications, but may be used to remedy any damages or defaults in rent payment.

Generally, tenants shall make a security deposit as follows:

- **Improved Unfurnished Property** - not to exceed an amount equal to two months' rent.
- **Improved Furnished Property** - not to exceed an amount equal to three months' rent.

11.07.14.01 **Waivers/Reductions**

In certain instances, the district may waive the requirement for collection of a security deposit or reduce the amount. Where the requirement is waived, the account file shall be fully documented. Acceptable conditions for a waiver or reduction are:

- In neighborhoods where improvements are in a state of decline and demand for rental units is relatively low, and where extensive efforts to rent have shown that the improvements are not sufficiently desirable to attract a renter who can make a security deposit.
- From a tenant inherited from state's grantor where a security deposit had not formerly been established and where the tenant is acceptable in all respects.
- From governmental agencies.
- For unimproved properties.

11.07.14.02 **Refund**

In all cases, the district shall furnish the tenant, by personal delivery or by first class mail, postage prepaid, a copy of an itemized statement indicating the basis for, and the amount of, any security deposit received and the disposition of the security deposit and shall return any remaining portion of the security deposit to the tenant(s) (see California Civil Code, Section 1950.05). The district must deliver any refund and the itemized statement within three weeks of the vacancy date.

In order to meet the three-week deadline, the Agent must submit the information to the Division of Accounting within five working days from the date of vacancy. It is the responsibility of the Agent to ensure the tenant(s) receives the itemized statement within the three weeks, preferably prior to the tenant(s) receiving a refund from the State Controller.

If the property is sold, the district, at its discretion, may return the security deposit to the tenant, less any lawful deductions, or transfer the deposit to the new owner. If transferred to the new owner, the district must notify the tenant in writing either by personal delivery or by certified mail. The tenant must be given an accounting of any deductions made and the new owner's name, address, and telephone number. If notice to the tenant is made by personal delivery, the tenant shall acknowledge receipt of such notice.

11.07.15.00 **Utilities**

Utilities generally include gas, water, sewer, telephone, electricity, and garbage service. Multiply these types of services by the number of utility companies involved and the number of properties a region/district maintains, and it is apparent that initiating, monitoring, and terminating utility services can be a considerable undertaking. The regions/districts, therefore, must adhere to the following guidelines, as well as develop additional procedures that address region/district problems and meet their specific needs.

11.07.15.01 **Responsibility for Utility Costs**

Tenants shall be solely responsible for all utilities including deposits. On an exception basis, there may be instances when it would be appropriate for the state to pay for electricity and gas, such as in a multiple residential unit where there is only one meter for supplying electrical or gas service for the property. If, however, individual meters are available, tenants should pay for their own utilities.

In those localities where the suppliers of water and sewer require the bill to go directly to the property owner, the regions/districts shall have those bills sent directly to the Department. The Department shall monitor those utility costs and charge the tenant the appropriate amount. This will require a clause in the rental or lease agreement which states the tenant is responsible for the actual cost of those utilities and the Department will notify the tenant of such costs on a regular basis.

Rental agreements must be specific about:

- Which utilities are assumed by the state and, therefore, are the state's responsibility.
- Which utilities are the tenant's responsibility and are to be paid directly to the utility company by the tenant.
- Which utilities are the tenant's responsibility but are collected from the tenant by the state and conveyed to the utility company.

It is imperative upon the Region/District to ensure adequate utility costs are being collected from the tenant. The agent may contact utility companies, housing agencies, or other data sources for estimated utility expenses for a particular area. Utility companies usually have information on average costs for their area based on number of rooms, number of occupants, etc. All utility justifications must be documented in the rental file.

Utility charges will be reviewed at least annually, earlier if needed, and adjustments made in accordance with the Utility Clause in the rental or lease agreement.

11.07.15.02 **Notifying Utility Companies at Date of Recordation**

Regions/districts should take special care transferring utility charges when an acquired parcel is recorded in the state's name. Problems encountered will vary from one area to another. Specific requirements, therefore, are brief and set forth general guidelines that shall be used to attain a reasonable degree of uniformity among regions/districts.

Prior to acquisition or as soon thereafter as possible, the Agent shall observe the utility requirements of the property and note the types of service in the rental file. The determination about which utilities the state will pay shall be based on information the Agent gathers while inspecting the property. If the state is responsible for payment of utilities, the region/district shall notify the appropriate companies in writing, specifying the date the deed was recorded in the state's name and the date the state will assume responsibility for the utility charges.

11.07.15.03 **Payment of Utility Bills by the State**

Whenever utility service is initiated in the state's name, or is transferred back into the state's name (e.g., when a tenant vacates rental property), the Agent shall request that the utility company send the initial bill directly to the region/district Property Management office. The Agent shall review the bill for accuracy and shall write the source, charge, EA, special designation, and agency object (x002) codes on the bill or attach a Receiving Record (Form 1226A) with the information. For residential rental property, the Agent shall also check to make sure the state is being charged a residential rate and not a commercial rate. The Agent shall forward the bill to the Division of Accounting, Accounts Payable, Utility Section, with a change of address request. Once Accounts Payable receives the bill, they will send the change of address to the utility company so future bills will be sent to Accounts Payable.

See Property Management Reference File #01-02, dated July 24, 2001, for further instructions.

On a quarterly basis, Accounts Payable will send a Utility Report to the regions/districts for verification.

11.07.15.04 **Utility Deposits by Tenant**

If a tenant is to assume responsibility for utility service, the Agent shall advise the tenant that:

- The utility company may require a deposit.
- If any problems occur as a result of the deposit, the problems are solely between the tenant and the utility company, as the state will not become involved.

11.07.16.00 **Possessory Interest Tax**

The tenant's interest is subject to a possessory interest tax (PIT) that is imposed by the county. S&H Code Section 104.13 requires the Department to pay the PIT directly to the city or county on the tenant's behalf. The tenants should be instructed to send any PIT bill they receive to the region/district office for handling. When the region/district receives any PIT bills, either from the tenant or directly from a county, they are instructed to send the PIT bill back to the county with Exhibit 11-EX-44, Possessory Interest Letter.

S&H Code Sections 104.6 and 104.10 require the Department to pay 24% of the rents collected to the county in which the property is situated and when the payment must be made. This payment is in lieu of the Department paying possessory interest taxes. The exception is that if the possessory interest tax on a particular property is more than 24% of the rental rate, the county may send a bill for the amount above 24% and the Department is obligated to pay such amount.

See Section 11.01.06.00 for further information on the 24% payment to the counties.

11.07.17.00 **Residential Property Occupancy and Vacancy Inspections**

When a new tenant moves into a residential property, or when a newly acquired property has an inherited tenant, the tenant shall accompany the Agent on an inspection of the unit. Page 1 of RW 11-8, Residential Property Occupancy and Vacancy Inspections, shall be completed. All blanks must be filled in, noting "OK" or any deficiencies. The form is to be signed by the tenant and the Agent and a copy shall be given to the tenant.

Page 2 of RW 11-8 shall be completed when the tenant moves out. If possible, the tenant should accompany the Agent during the inspection and sign the move-out form, which is the basis for deposit refunds or withholdings.

11.07.18.00 **Uses of Rental Agreement**

Exhibit 11-EX-A, Residential Rental Agreement, is to be used for month-to-month tenancies only for the following types of rentals:

- Single-family residential property.
- Multiple-family residential property.
- Occasionally, instead of a lease where commercial or industrial month-to-month tenancies are involved.
- Vacant land only when necessary to execute a lease or rental agreement. This applies to vacant land, other than agricultural, or land with improvements retained by the grantor. Exhibit 11-EX-A, Residential Rental Agreement, may be modified to comply with actual conditions or when special situations arise upon approval of the DDC-R/W or designee.

11.07.19.00 **Courtesy Notice of Termination**

The Department's policy is to provide all tenants who are not eligible for relocation benefits an informal courtesy letter of the state's intention to terminate their tenancies at least 90 days before the required termination date. This requirement does not alter the state's authority to terminate on a 30-day or 60-day notice as provided in the standard rental agreement when such notice is absolutely necessary.

11.07.20.00 **Rental Refunds**

The district shall return any unearned rents to tenants who give proper notice and vacate the property in good condition. The rents owed for a partial month shall be prorated on a 30-day month basis in accordance with Exhibit 11-EX-5, Rent Proration Examples. Prorated rent cannot exceed the monthly rent. Tenant is responsible for rent covering the period of time up to, and including, the date of vacation. If property is vacated on the last day of the month, tenant is responsible for the entire month, and rent is not prorated regardless of the number of days in the month.

- **Tenant Has Paid Rent in Advance and Vacates the Premises on Their Own Volition Before the Rental Term Expires** - The district will make a refund for the difference between the amount paid in advance and the amount owed for the partial month, provided there is no delinquent rent, and the tenant has provided proper notice and is leaving the premises in good condition.
- **Tenant Has Paid Rent in Advance and Vacates the Premises at the State's Request Before the Rental Term Expires** - A refund will be made for the difference between the amount paid in advance and the amount owed for the partial month.
- **Tenant Has Not Paid Rent in Advance and Vacates the Premises Before the Rental Term Expires** - The tenant will be responsible for the period of time up to, and including, the date that vacation of the premises was discovered or enforced. Every effort must be made to collect the amount due.

All requests to Accounting or adjustments to the account will be made utilizing the RWPS Adjustment Request Screen.

The district may waive the requirement that a tenant provide a termination notice when vacating property under a rental agreement.

11.07.20.01 **Leases**

Refunds will be made of rent collected for the period subsequent to the termination date of the lease. The termination date is determined pursuant to the notification of termination by the state or lessee as required by the lease.

11.07.21.00 **Notices**

The Department may use the following notices:

- 3-Day Notice to Pay or Quit, Form RW 11-11
- 3-Day Notice to Correct Breach of Covenant or Quit (Curable), Form RW 11-12
- 3-Day Notice to Quit for Breach of Covenant (Incurable), Form RW 11-13
- Notice of Termination of Tenancy and Notice to Quit, Form RW 11-10

Form RW 11-10, Notice of Termination of Tenancy and Notice to Quit, can be utilized as a 30-Day Notice or a 60-Day Notice. California Civil Code Section 1946.1(b) requires owners of **residential dwellings** giving notice to give notice at least 60 days prior to the proposed date of termination.

Section 1946.1(c) allows an owner of a residential dwelling to give notice at least 30 days prior to the proposed date of termination if the tenant has resided in the dwelling for less than one year.

Section 1946.1(d) allows for the owner of a residential dwelling to give notice at least 30 days prior to the proposed date of termination if all of the following are true:

1. The dwelling or unit is alienable separate from the title to any other dwelling unit.
2. The owner has contracted to sell the dwelling or unit to a bona fide purchaser for value and has established as escrow with a licensed escrow agent, as defined in Sections 17004 and 17200 of the Financial Code, or a licensed real estate broker, as defined in Section 10131 of the Business and Professions Code.
3. The purchaser is a natural person or persons.
4. The notice is given no more than 120 days after the escrow has been established.
5. Notice was not previously given to the tenant pursuant to this section.
6. The purchaser in good faith intends to reside in the property for at last one full year after the termination of the tenancy.

All nonresidential tenancies should receive a 30-day notice prior to termination.

11.07.22.00 **Cancellation - Failure to Pay Rent**

RW 11-11, 3-Day Notice to Pay Rent or Quit, shall be used to cancel a rental agreement or lease where the tenant is delinquent in rental payments. Notice shall be served upon the tenant as specified in Section 11.08.04.00.

If the tenant is eligible for relocation benefits, Property Management must notify the RAP Unit of the delinquency.

During the three-day period after service of the 3-day notice, the state must accept full payment of rent due when offered by the tenant. Acceptance of full rent due nullifies the 3-day notice. After the end of the three-day period, the state may refuse payment and continue with the eviction process. If payment is accepted after the three-day period, however, the notice is nullified. Entering the date of service of 3-day notice in the 3-Day Notice field of the RWPS Delinquent Tenancy Screen will electronically notify Accounting not to accept rent payments after the three-day period.

11.07.23.00 **Cancellation - Notice to Vacate For Reasons Other Than Failure to Pay Rent**

Where the tenant is not delinquent in their rent and the state wishes to terminate a rental agreement or lease that contains a 30-day or 60-day termination clause, RW 11-10, Notice of Termination of Tenancy and Notice to Quit, shall be used.

The notice shall be served in the manner described in Section 11.08.04.00. Refund policy is described above. The notice may be modified to provide for various lease termination requirements such as a longer time frame.

11.07.24.00 **Cancellation - Breach of Covenant**

When it is necessary to cancel a lease or rental agreement where the tenant has breached a covenant of the agreement with the state, RW 11-12, 3-Day Notice to Correct Breach of Covenant or Quit (Curable Breach), or RW 11-13, 3-Day Notice to Quit for Breach of Covenant (Incurable Breach), may be used.

Notice shall be served upon the tenant as specified in Section 11.08.04.00.

If the tenant is eligible for relocation benefits, Property Management must notify the RAP Unit of the breach.

Curable breaches include anything that can be cured or corrected by payment of money (e.g., late fees, deposits, insurance, and bonds) and may also include, for example, unapproved pets, excessive garbage or debris, and unauthorized use.

Incurable breaches cannot be cured once committed and include, for example, nuisance, committing waste and subleasing or assignment without prior state approval.

11.07.25.00 **Departmental Use of State-Owned Property**

Properties managed by Property Management may be used temporarily by other district functions if such use is within local government requirements. Although no rent will be charged, the user will be responsible for all maintenance costs, remodeling costs, and any costs necessary to return the property to its original condition.

11.07.26.00 **Termination Requirements**

California Civil Code Section 1950.5 requires the following process for residential tenancy, which began after January 1, 2003:

- Within a reasonable time after either party gave notice of termination, the landlord shall notify the tenant **in writing** of the tenant's option to request an initial inspection and to be present at that inspection. (Exhibit 11-EX-6, Landlord's Notice of Termination, when the Department gives notice; and Exhibit 11-EX-6B, Notice of Right to Inspection, when the tenant gives notice.)
- At a reasonable time, but no earlier than two weeks before the termination or the end of the rental agreement or lease, the landlord shall, upon the request of the tenant, make an initial inspection of the premises prior to any final inspection the landlord makes after the tenant has vacated the premises. (Exhibit 11-EX-6D, Initial Vacancy Inspection and Statement of Proposed Security Deductions.) This will allow the tenant an opportunity to remedy identified deficiencies in order to avoid deductions from the security deposit. The tenant's request does not have to be in writing; thus, it is mandatory to make a diary entry in reference to the tenant's desires.

- If the tenant requests an inspection, the parties shall attempt to schedule the inspection at a mutually acceptable date and time. The landlord shall give at least 48 hours' prior **written** notice of the date and time of the inspection. (Exhibit 11-EX-6C, Waiver of 48-Hour Notice of Initial Inspection.) This applies even if both parties have agreed to an acceptable date and time. The 48-hour prior written notice can be waived if both parties sign a written waiver.
- The landlord shall proceed with the inspection whether the tenant is present or not, unless the tenant previously withdrew his or her request for the inspection.
- Based on the findings of the inspection, the landlord shall give the tenant an itemized statement specifying repairs or cleaning that are proposed to be the basis of any deductions from the security deposit. (Exhibit 11-EX-6D, Initial Vacancy Inspection and Statement of Proposed Security Deductions.) This statement shall be given to the tenant, if the tenant is present for the inspection, or shall be left inside the premises if the tenant is not present for the inspection. (This statement is not to be confused with nor does it replace the requirement to furnish the tenant within three weeks an itemized statement indicating the basis for, and the amount of, any security deposit withheld.)
- The landlord may use the security deposit to remedy any situation that occurs after the initial inspection or was not identified during the initial inspection due to the presence of the tenant's possessions.
- If a tenant chooses not to request an initial inspection, the duties of the landlord are discharged. It is mandatory to make a diary entry indicating the tenant has not opted for an inspection.

CHAPTER 11

Property Management Table of Contents

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<u>Exhibit No.</u>	<u>Title</u>
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RENT PRORATION EXAMPLES

(Form #)

Instructions:

All prorations of rent and utilities, when applicable, will be based on a 30-day month to determine a daily rate, regardless of the number of days in the month.

Examples of how to calculate rent and rental refunds for partial months are included in this exhibit.

If a tenancy starts on the first day of the month or is vacated on the last day of the month, *no proration is necessary*, regardless of the number of days in the month.

Prorated rent for a partial month cannot exceed the monthly rent.

Use the following steps to determine rent proration:

Step 1: Determine daily rate: $\frac{\text{Monthly rent}}{30 \text{ days}} = \text{Daily rate}$

Step 2: Determine number of days for which tenant owes rent. If tenancy is starting, include the start date in the number of days counted. If tenant is vacating, include the vacate date in the number of days counted.

Step 3: $\text{Daily rate} \times \text{number of days for which tenant owes rent} = \text{Prorated rent owed}$.

Step 4: (Only for tenancies being vacated)
 $\text{Monthly rent paid in advance} - \text{prorated rent owed} = \text{rent reimbursed}$.

RENT PRORATION EXAMPLES (Cont.)

(Form #)

EXHIBIT

11-EX-5 (REV 1/2007)

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EXAMPLE #1 – MONTHS WITH 31 DAYS

Start Tenancy

Monthly Rent - \$500

Month - March (31 days)

Start Date - 17th

Agent sends an Adjustment Request Screen (TRP543M) to Accounting with 3/17/06 as the start date.

Step 1: Determine daily rate: $\$500 \div 30 \text{ days} = \16.67 per day

Step 2: Determine number of days tenant owes rent, including start date. If tenancy starts on 3/17/06, tenant owes rent for 15 days in March, which includes start date.

Step 3: Multiply the daily rate times the number of days tenant owes rent:
 $\$16.67 \times 15 \text{ days} = \250.05 rent owed

Vacated Tenancy

Monthly Rent - \$500

Month - March (31 days)

Vacate Date - 30th

Agent sends an Adjustment Request Screen (TRP543M) to Accounting with 3/30/06 as the vacate date.

Step 1: Determine daily rate: $\$500 \div 30 \text{ days} = \16.67 per day

Step 2: Determine number of days tenant owes rent, including vacate date. If tenancy is vacated on 3/30/06, tenant owes rent for 30 days in March, which includes vacate date.

Step 3: Multiply the daily rate times the number of days tenant owes rent:
 $\$16.67 \times 30 \text{ days} = \500.10 . However, prorated rent cannot exceed monthly rent. Therefore, tenant owes \$500.

Step 4: Subtract rent owed for partial month from rent paid in advance:

\$500.00	monthly rent paid in advance
<u>-500.00</u>	rent owed for 30 days
\$ 0.00	rent reimbursed

RENT PRORATION EXAMPLES (Cont.)

(Form #)

EXHIBIT

11-EX-5 (REV 1/2007)

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EXAMPLE #2 – MONTHS WITH 30 DAYS

Start Tenancy

Monthly Rent - \$500

Month - June (30 days)

Start Date - 23rd

Agent sends an Adjustment Request Screen (TRP543M) to Accounting with 6/23/06 as the start date.

Step 1: Determine daily rate: $\$500 \div 30 \text{ days} = \16.67 per day

Step 2: Determine number of days tenant owes rent, including start date. If tenancy starts on 6/23/06, tenant owes rent for 8 days in June, which includes start date.

Step 3: Multiply the daily rate times the number of days tenant owes rent:
 $\$16.67 \times 8 \text{ days} = \133.36 rent owed

Vacated Tenancy

Monthly Rent - \$500

Month - June (30 days)

Vacate Date - 1st

Agent sends an Adjustment Request Screen (TRP543M) to Accounting with 6/1/06 as the vacate date.

Step 1: Determine daily rate: $\$500 \div 30 \text{ days} = \16.67 per day

Step 2: Determine number of days tenant owes rent, including vacate date. If tenancy is vacated on 6/1/06, tenant owes rent for 1 day in June, which includes vacate date.

Step 3: Multiply the daily rate times the number of days tenant owes rent:
 $\$16.67 \times 1 \text{ day} = \16.67 rent owed

Step 4: Subtract rent owed for partial month from rent paid in advance:

\$500.00	monthly rent paid in advance
- 16.67	rent owed for 1 day
\$483.33	rent reimbursed

RENT PRORATION EXAMPLES (Cont.)

(Form #)

EXHIBIT

11-EX-5 (REV 1/2007)

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EXAMPLE #3 – FEBRUARY - 28 DAYS

(Leap year – Same procedure, except month has 29 days.)

Start Tenancy

Monthly Rent - \$500

Month - February (28 days)

Start Date - 25th

Agent sends an Adjustment Request Screen (TRP543M) to Accounting with 2/25/06 as the start date.

Step 1: Determine daily rate: $\$500 \div 30 \text{ days} = \16.67 per day

Step 2: Determine number of days tenant owes rent, including start date. If tenancy starts on 2/25/06, tenant owes rent for 4 days, which includes start date.

Step 3: Multiply the daily rate times the number of days tenant owes rent:
 $\$16.67 \times 4 \text{ days} = \66.68 rent owed

Vacated Tenancy

Monthly Rent - \$500

Month - February (28 days)

Vacate Date - 27th

Agent sends an Adjustment Request Screen (TRP543M) to Accounting with 2/27/06 as the vacate date.

Step 1: Determine daily rate: $\$500 \div 30 \text{ days} = \16.67 per day

Step 2: Determine number of days tenant owes rent, including vacate date. If tenancy is vacated on 2/27/06, tenant owes rent for 27 days, which includes vacate date.

Step 3: Multiply the daily rate times the number of days tenant owes rent:
 $\$16.67 \times 27 \text{ days} = \450.09 rent owed

Step 4: Subtract rent owed for partial month from rent paid in advance:

\$500.00	monthly rent paid in advance
<u>-450.09</u>	rent owed for 27 days
\$ 49.91	rent reimbursed